

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on policies and practices for advanced metering, demand response, and dynamic pricing.

Rulemaking 02-06-001

**RULING FOLLOWING
PREHEARING CONFERENCE**

Prior to issuance of the scoping memo and ruling, the assigned commissioner and administrative law judge (ALJ) are soliciting written comment on a proposed procedural framework for conducting Phase 1, the policymaking portion of this proceeding, as discussed at the July 16th Prehearing Conference (PHC). This framework is designed both to facilitate interagency dialogue and to develop the record that will support the preparation of a draft decision by the ALJ and issuance of the CPUC's ultimate policy decision in this rulemaking. We have consulted with the California Energy Commission (CEC) and the California Power Authority (CPA) in developing this proposed framework. Written comments on this proposed procedural framework are due August 8, 2002. After receipt and consideration of written comments, the assigned commissioner will provide a detailed procedural roadmap in the scoping memo and ruling, tentatively scheduled to be issued on or about August 15, 2002.

As discussed at the PHC, the assigned commissioner and ALJ propose three working groups. We have indicated that we will actively coordinate and facilitate all group efforts and work products, since these are critical to issuance of a policy decision in Phase 1. The working groups will focus on: (1) overall

policy issues; (2) large customer (>200kW in average monthly demand) issues; and (3) small commercial/residential customer issues. Below we detail the proposal for each working group's mission, leadership, membership, meeting schedule, and public meeting mechanics. Appendix B contains calendars for August, September, and October 2002, detailing the proposed schedule of meetings.

Group 1: Overall Policy

Mission: Ensuring interagency coordination in developing demand flexibility as a resource.

Leadership: (Responsible for Overall Policy Direction)

Facilitator: *ALJ Lynn Carew, with support from Julie Fitch, Advisor to Commissioner Peevey.*

- CPUC: Michael Peevey, assigned Commissioner in R.02-06-001.
- CEC: Commissioner Arthur Rosenfeld.
- CPA: Vice Chair Sunne McPeak.

Membership: Responsible for Preparing Working Agendas for the meetings of all three working groups; supporting the overall policymaking efforts of Working Group 1; and, as necessary, observing the meetings of Working Groups 2 and 3 and making progress reports to the Leadership of Working Group 1.

- CPUC: Lynn Carew, Julie Fitch, Energy Division staff to be designated.
- CEC: Michael Messenger, Michael Jaske, additional staff to be designated.
- CPA: To be designated.

Group Responsibilities:

- Identify issues associated with the size and qualities of the demand response resources best suited to the California electricity market structure.
- Review and set broad policy goals to achieve more demand response (e.g., what types of rate structures and programs should be analyzed by working groups 2 and 3? What key rate design principles should be used in constructing tariffs? Assess pros and cons of voluntary vs. mandatory roll out of tariffs, etc.)
- Determine how agencies developing and sponsoring demand response programs can best coordinate their efforts.
- Coordinate schedule and work products of Working Groups 2 and 3, consistent with policy goals and priorities. Ensure adequate attention to data collection and pilot program development.
- Review and assess scoping issues raised by the parties (e.g., issues have already been raised about gas meters and direct access customer participation).
- Review and assess implementation issues raised by the working groups (e.g., meter ownership; financing and revenue requirements concerns).
- Review and discuss recommendations from working groups.
- Any other actions required to ensure interagency cooperation in developing demand response resources.

Meeting Schedule: As detailed below, this group will meet approximately every other week for up to 3 hours each session. Initial discussion topics will be derived from the one-page policy document distributed at the July 16th PHC and attached as Appendix A to this ruling; however, specific, and far more detailed working agendas will be prepared and made available publicly in advance of each meeting.

- **August 26, 2002: Goal Setting Discussion** focusing on resource needs to be met through demand reduction and interagency coordination in assessing “adequate reserve margins.” Also included within this goal setting discussion is a scoping issue: whether to include in this proceeding certain direct access metering issues and gas metering issues. **Discussion of Utility Cost Recovery Issues/Revenue Neutrality/Incentives. Time and Location: TBD**
- **September 6, 2002: Discussion of Roles and Responsibilities** (CPUC, CEC, CPA, ISO, DWR, aggregators, customers) vis-à-vis infrastructure ownership and financing issues; tariff development; technology specification; program operation; and assessment/verification of results. **Time and Location: TBD**
- **September 16, 2002: Preliminary Assessment of Options** to be made available by customer segment. **Time and Location TBD.**
- Meet Thereafter as Needed

Working Group Discussion Ground Rules:

- All Working Group 1 Meetings will be noticed as workshops in the Daily Calendar.
- Working Group 1 will have a meeting agenda, publicly available at least 48 hours prior to each meeting.
- During the ongoing discussions, the Working Group 1 facilitator will take input from attendees who wish to provide it. Such input will be important to the ultimate success of this effort.
- After each Working Group 1 meeting, the ALJ will issue a ruling summarizing key points addressed during the meeting, in order to give parties a sense of where the policy discussions are heading. Those desiring to comment on the ruling may do so.

Group 2: Large Customer Issues

Mission: Expanding demand response capabilities by developing a tariff or set of tariffs to be used for large customers with average monthly demands of 200kW and above.

Leadership: (Responsible for Developing Recommendations to the Overall Policy Group for use by the full Commission in its policy decision).

Facilitator: Michael Jaske (CEC)

- Other staff from CEC, CPUC, and CPA to be designated.

Membership: (This group, comprised of “program experts” will provide technical support to the Working Group 2 leadership).

- Respondents: SCE, PG&E, and SDG&E.
- Program experts from any other parties who wish to participate in this working group.

Group Responsibilities:

- Explore the merits of developing a tariff or set of tariffs that can take immediate advantage of the advanced meters the CEC has installed as a result of ABX1 29.
- Recommend rate design principles and preferred tariff forms (CPP, TOU, RTP two-part, etc.) for specific rate size classes.
- Identify the source and process to compute and communicate wholesale market or other prices that might “drive” a dynamic tariff.
- Identify backup sources of prices to define dynamic tariffs if timely wholesale prices are not available or reliable.
- Analyze the cost effectiveness of specific tariffs and identify key uncertainties in the analysis.
- Recommend specific tariffs for the consideration of Working Group 1 and the full Commission (CPUC).
- Produce a report summarizing recommendations and a plan to implement the specific tariffs, including customer education and demand-side investment requisites.

Meeting Schedule: Working Group 2 will meet every week starting September 18, 2002, and will submit its report to the Commission on October 28, 2002. Specific working agendas will be prepared and will be available publicly in advance of each meeting.

Working Group Discussion Ground Rules:

- All Working Group 2 Meetings will be noticed as workshops in the Daily Calendar.
- Working Group 2 will have a meeting agenda, publicly available at least 48 hours prior to each meeting.
- During the ongoing discussions, the Working Group 2 facilitator will take input from other attendees who wish to provide it.

Group 3: Small Customer Issues

Mission: Expanding demand response capabilities by developing a tariff or set of tariffs to be used in a small commercial/residential customer class pilot or pilots.

Leadership: (Responsible for Developing Recommendations to the Overall Policy Group for use by the full Commission in its policy decision.)

Facilitator: Michael Messenger (CEC)

- Other staff from CPUC, CEC, and CPA to be designated.

Membership: This group, comprised of “program experts” will provide technical support to the Working Group 3 leadership.

- Respondents: SCE, PG&E, and SDG&E.
- Program experts from any other parties who wish to participate in this working group.

Group Responsibilities:

- Recommend rate design principles for these customers and preferred tariff and program forms (CPP, TOU, cycling).

- Consider modifications to existing smart thermostat pilot programs to test customer acceptance of other tariff and program forms.
- Analyze cost effectiveness of specific tariffs and identify key uncertainties in the analysis.
- Recommend specific residential tariffs for Working Group 1 and the full Commission (CPUC), including the possibility of limited deployment of pilot tests.
- Review and develop pros and cons of alternative metering and communication system rollout strategies.
- Identify utility infrastructure modifications that would be required by widespread deployment of advanced metering.
- Develop an analysis plan to resolve remaining uncertainties. Produce a report summarizing action and recommendations.

Meeting Schedule: Working Group 3 will meet every week starting September 19, 2002, and will submit its report to the Commission by October 31, 2002. Specific working agendas will be prepared and will be available publicly in advance of each meeting.

Working Group Discussion Ground Rules:

- All Working Group 3 Meetings will be noticed as workshops in the Daily Calendar.
- Working Group 3 will have a meeting agenda, publicly available at least 48 hours prior to each meeting.
- During the ongoing discussions, the Working Group 3 facilitator will take input from other attendees who wish to provide it.

Experiential Workshops

In addition to the work of the groups described above, the concept of experiential workshops was also discussed at the PHC. We see value in conducting such workshops from two points of view: to gain experience from

program managers actually responsible for implementing demand response tariffs and/or programs, and to learn about technology and infrastructure solutions required to implement those programs. We propose the following outline for the conduct of those workshops.

Day 1: Hardware Issues

Proposed date: September 9

- This day will address both end-user communications systems and utility back-office issues. Invited participants will be asked to describe their experience, as well as provide general cost information.

Day 2: Tariffs and Programs

Proposed date: September 10

- This day will address experiences and challenges in tariff and program design, regulatory agency approval, barriers to implementation, and demonstrated results from existing efforts to develop demand response resources.
- Staff from the CPUC and CEC will be developing a more detailed agenda and list of invitees for these workshops. We will include in the formal scoping memo more information about the appropriate individuals at each agency to contact with ideas for the experiential workshops.

Other Procedural Matters

The OIR (mimeo pp. 4, 14) requires parties to file the details of their existing demand response programs and pricing options on August 9, 2002. At the PHC the ALJ affirmed that this due date remains operative (PHC Tr. 82:20 - 83:2) for respondents PG&E, SCE, and SDG&E, and also encouraged staff members of the agencies to provide information they have collected about such existing programs in California. On August 9th, other parties are also free to provide information about existing programs outside of California if they wish to

do so, but we would prefer to gather such information through the experiential workshops described above. All other due dates listed in the initial schedule contained in the OIR are suspended until further notice, and will be addressed, along with other scheduling, scoping and category matters, in the upcoming scoping ruling of the assigned commissioner.

IT IS RULED that:

1. On or before August 8, 2002, parties shall file and serve written comments on the proposed procedural framework outlined in this ruling. Parties may include in their comments the question whether the tariff development steps proposed as Working Group 2 and Working Group 3 responsibilities can be done without holding evidentiary hearings. Those parties who assert that evidentiary hearings are required shall specify the particular factual issues that they would develop in such hearings.

2. On or before August 9, 2002, Respondents PG&E, SCE, and SDG&E shall file a report containing the details of their existing demand response programs and pricing options.

3. All other due dates listed in the initial schedule contained in the Commission's OIR are suspended until further notice, and will be addressed, along with other scheduling, scoping and category-related matters, in the upcoming scoping ruling of the assigned commissioner.

Dated August 1, 2002, at San Francisco, California.

/s/ LYNN T. CAREW

Lynn T. Carew
Administrative Law Judge

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**R.02-06-001: Advanced Metering, Demand Response, and Dynamic Pricing
Proposed/Potential Phasing and Schedule (for discussion at PHC)**

PHASE I: POLICY DECISION AND EARLY ROLL-OUT: July through
November 2002

Content

Policy Decision

1. Goal-setting
 - Determination of resource needs to be met through demand response
 - Coordinated with assessment of “adequate reserve margins” with CPA and CEC, as well as CPUC “procurement” OIR
2. Treatment of utility cost recovery
 - Revenue requirements
 - Incentives vs. revenue-neutrality
3. Roles and responsibilities: CPUC, CEC, CPA, ISO, DWR, aggregators, customers
 - Ownership of meters and other infrastructure
 - Financing of infrastructure
 - Development of tariffs
 - Technology specification
 - Program operation (calls, etc., as applicable)
 - Assessment and verification of results

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4. Preliminary assessment of options to be made available by customer segment
 - Brief summary of cost-effectiveness of various options
 - Voluntary vs. mandatory programs/tariffs/ meters

Early Roll-Out

1. Dynamic pricing tariff for >200 kW customers
 - Take advantage of existing meters
 - Gather cost and response data
2. Pilot for residential small commercial
 - Utilize existing “smart thermostat” programs through SDG&E and SCE?

Process

1. Experiential workshop to take advantage of learning from other jurisdictions
2. Three ongoing workgroups:
 - overall policy
 - large customer tariff design
 - small customer program

PHASE II: DETAILED IMPLEMENTATION: Beginning December 2002

Content

1. Development of program designs by customer segment
2. Development of detailed implementation plan
3. Other TBD after Phase I

Process

1. Multiple working groups depending on breakdown in policy decision.
2. Other TBD after Phase I.

END OF ATTACHMENT A

APPENDIX B:
SCHEDULE OF RELEVANT DATES FOR WORKING GROUPS

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August 2002

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1	2	3
4	5	6	7	8 Written comments on this ruling due	9 Filings on existing programs due	10
11	12	13	14	15 Scoping memo issued (approx.)	16	17
18	19	20	21	22	23	24
25	26 WG 1 Meeting	27	28	29	30	31

APPENDIX B:
SCHEDULE OF RELEVANT DATES FOR WORKING GROUPS

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September 2002

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4	5	6 WG 1 meeting	7
8	9 Experiential Workshop 1: Hardware	10 Experiential Workshop 2: Tariffs and Programs	11	12	13	14
15	16 WG 1 meeting	17	18 WG 2 meeting	19 WG 3 meeting	20	21
22	23	24	25 WG 2 meeting	26 WG 3 meeting	27	28
29	30					

APPENDIX B:
SCHEDULE OF RELEVANT DATES FOR WORKING GROUPS

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October 2002

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1	2 WG 2 meeting	3 WG 3 meeting	4	5
6	7	8	9 WG 2 meeting	10	11	12
13	14 WG 3 meeting	15	16	17	18	19
20	21	22	23	24	25	26
27	28 WG 2 report due	29	30	31 WG 3 report due		

END OF ATTACHMENT B

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Ruling Following Prehearing Conference on all parties of record in this proceeding or their attorneys of record.

Dated August 1, 2002, at San Francisco, California.

/s/ JANET V. ALVIAR

Janet V. Alviar

N O T I C E

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